



Australian Bureau of Statistics

6102.0 - Labour Statistics: Concepts, Sources and Methods, 2001

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INTRODUCTION

6.1 The labour force framework discussed in Chapter 2 categorises the population into three mutually exclusive groups: employed; unemployed; and not in the labour force. This chapter discusses in detail the concept of unemployment, and contrasts the measures of unemployment collected in the Labour Force Survey with those collected elsewhere. The chapter also discusses a range of classifications and measures that are related to unemployment.

CONCEPTS AND INTERNATIONAL GUIDELINES

6.2 The international definition of unemployment (Thirteenth ICLS 1982) requires the simultaneous satisfaction of each of the following criteria:

- without work;
- actively seeking work; and
- currently available for work.

6.3 Unemployed persons are therefore defined as persons who, during a specified reference period, meet all of the above criteria. In surveys applying the international standards, the active job search criterion is waived for persons waiting to start a new job that they have already obtained.

WITHOUT WORK

6.4 The purpose of the 'without work' criterion is to ensure that employment and unemployment are mutually exclusive. As precedence is given to employment, a person should only be classified as unemployed if they do not satisfy the criteria for employment. The 'without work' criterion refers to a total lack of work, that is, not in paid employment or self-employment, as defined in international standards for employment (refer to Chapter 3). Persons who should be considered without work therefore should not have undertaken any work at all (not even for one hour) during the reference period, nor should they have been temporarily absent from a job to which they have a formal attachment.

ACTIVELY SEEKING WORK

6.5 The 'actively seeking work' criterion requires that at least one active step to seek work (in either a paid employment job or a self-employment job) must be taken in the reference period. Active steps to seek employment include: "registration at a public or private employment

exchange; application to employers; checking worksites, farms, factory gates, market or other assembly places; placing or answering newspaper advertisements; seeking assistance of friends or relatives; looking for land, building, machinery, or equipment to establish own enterprise; arranging for financial resources; applying for permits and licences, etc." (Thirteenth ICLS 1982). According to the definition, the job search period may be extended into the period prior to the basic reference period for the collection. The purpose of extending the job search period in this way is to take account of time lags which often follow initial steps to obtain work, and during which jobseekers may not take any other initiatives to find work (e.g. while waiting for outcomes of job applications). A four week reference period is suggested in the guidelines as the practical maximum for a survey of a monthly frequency.

6.6 In conformity with the activity principle of the labour force framework, the international guidelines consider that the active job search criterion is predicated on these views:

- a person must have done something specific to obtain work before being classified as 'seeking work'; and
- a general declaration of being in search of work is not sufficient.

6.7 The active job search criterion is waived for persons waiting to start a new job that they have already obtained and that is to begin after the end of the reference period¹ (these persons are referred to as future starters). According to the international standards, such persons need only meet the 'without work' and 'available for work' criteria. The international guidelines state that the active search criterion is waived because, having already secured employment, persons waiting to take up a job may not feel the need to look for work. Further, the guidelines consider that this group should be treated as unemployed rather than employed because, being currently available to start work, such persons would presumably have started work had the job begun earlier and, as such, this group forms part of currently underutilised labour resources.

1. The international guidelines make no recommendation about the length of the waiting period which should be applied to persons waiting to start a new job that they have already obtained and that is to begin after the end of the reference period. However, the guidelines do recognise that a period of four weeks offers greater precision than an unspecified period.

CURRENTLY AVAILABLE FOR WORK

6.8 The availability criterion serves as a test of readiness to start work, in conformity with the aim of providing a current stock measure of the labour supply. In order to be classified as unemployed, persons must be available to start work in the reference period. Persons not available to start work in the reference period (for example, because of impediments to take up work such as family responsibilities, illness, etc.) should be excluded from estimates of unemployment. While the international standards recommend that the reference period for the availability criterion be the same as the basic reference period for the collection, it is recognised that many countries prefer to extend the time period forward beyond that reference period. Reasons for choosing a longer reference period include: the fact that not everyone who is seeking work can be expected to take up a job immediately when one is offered; and the fact that there are certain forms of employment where workers are employed on a pay period basis and are required to wait until the commencement of a new pay period before taking up work.

DEFINITIONS USED IN ABS SURVEYS

6.9 The ABS produces estimates of unemployment from most household surveys. The Labour Force Survey is designed to produce precise estimates of unemployment (and employment), and

the definition used aligns closely with the international definitions outlined above. In other household surveys where unemployment is an explanatory or classificatory variable it is generally not practical to define unemployment as precisely as in the Labour Force Survey. While estimates of unemployment produced from these collections are designed to be consistent with the international concept of unemployment, the definition used is slightly broader than that used in the Labour Force Survey. Two alternative questionnaire modules are used to collect data on unemployment in these surveys - the reduced questionnaire module (for use in personal interview) and the self-enumerated questionnaire module.

LABOUR FORCE SURVEY

6.10 The definition of unemployment used in the Labour Force Survey aligns closely with the concepts and international definitions outlined above. Unemployed persons are defined as all persons 15 years of age and over who were not employed during the reference week, and:

- had actively looked for full-time or part-time work at any time in the four weeks up to the end of the reference week and:
 - were available for work in the reference week; or
 - were waiting to start a new job within four weeks from the end of the reference week, and could have started in the reference week if the job had been available then.

6.11 'Actively looking for work' encompasses a range of formal and informal job search activities and includes: writing, telephoning or applying in person to an employer for work; answering an advertisement for a job; checking factory noticeboards or the touchscreens at Centrelink offices; being registered as a job seeker with the government agency, Centrelink; checking or registering with any other employment agency; advertising or tendering for work; and contacting friends or relatives. Persons actively looking for self-employment jobs (such as looking for a business or to purchase a lease) are also treated as looking for work.

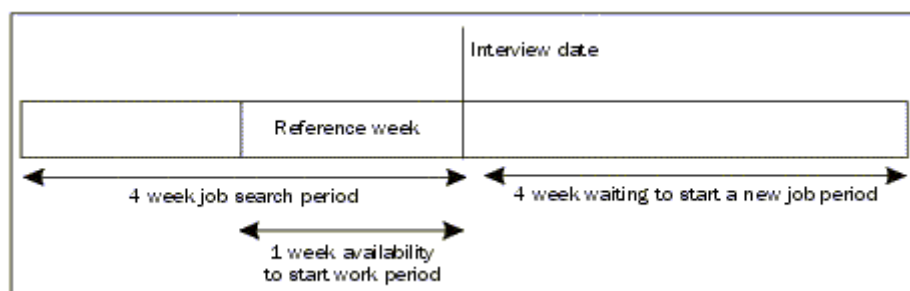
6.12 Persons who only looked in newspapers or read job advertisements are seen as passively, rather than actively looking for work, and so are not considered unemployed. The ABS view is that 'only looked in newspapers' does not meet the active search criterion, nor does simply looking at job advertisements on the Internet. For example, 'only looked in newspapers' is clearly incapable of finding work without some additional, active, job search step (for example, contacting the employer).

6.13 Future starters are those persons who were not employed during the reference week, and were waiting to start a job within four weeks from the end of the reference week, and could have started in the reference week if the job had been available then. The current Labour Force Survey definition of unemployed only includes the subset of future starters who had actively looked for work in the four weeks to the end of the reference week (see paragraph 6.10). However, ILO guidelines do not require future starters to be actively looking for work in order to be classified as unemployed (see paragraph 6.7). Hence, the current Labour Force Survey treatment of future starters is not fully consistent with the ILO standards because the precondition of active job search is not waived, with the result that some future starters are defined as 'not in the labour force'.

6.14 Different reference periods apply for defining not employed, availability to start work, job search, and waiting to start a new job. These are summarised in diagram 6.1. The short, one week reference period ('reference week') is used in defining those 'not employed', and in determining their availability for work, in accordance with the international guidelines. For active

job search, a longer (four week) period that includes the reference week is applied. For future starters, a period of four weeks is used for the length of the waiting period beyond the reference week in which the job will commence.

6.1 REFERENCE PERIODS USED IN THE LABOUR FORCE SURVEY FOR DETERMINING UNEMPLOYMENT



OTHER ABS HOUSEHOLD SURVEYS

6.15 Most other ABS household surveys use one of the two alternative questionnaire modules (the reduced questionnaire module used for personal interviews, or the self-enumerated questionnaire module) to produce unemployment estimates. As discussed above, unemployment is defined somewhat more broadly in these modules than in the Labour Force Survey.

6.16 Most Special Social Surveys use the reduced questionnaire module for personal interviews. Unemployment in this module is defined as persons aged 15 years and over who were not employed during the reference week, but who had actively looked for work and were available to start work. In comparison with estimates of unemployment from the Labour Force Survey, the module recommended for use in personal interviews results in reduced estimates of unemployment. This arises from the simplified treatment of certain categories of persons:

- the reduced questionnaire module for personal interviews does not ask respondents who were not available to start work the reasons they were not available during the reference week. Therefore, the reduced questionnaire module does not identify persons who looked for work in the four weeks to the end of the reference week, but were not available to start work in the reference week because they were waiting to start a new job within four weeks from the end of the reference week (and could have started in the reference week if the job had been available then). Using the reduced questionnaire module such persons are classified as not in the labour force rather than as unemployed (about 1% of unemployed); and
- in the Labour Force Survey, persons on workers compensation 'last week' and not returning (or 'don't know if returning to work'), and persons away from work for four weeks or more without pay, are classified as either unemployed or not in the labour force. Using the reduced module, all persons absent from work, but who usually work one hour or more a week, are classified as employed (about 0.1% of employed).

6.17 The self-enumerated questionnaire module used in the Census of Population and Housing also produces different estimates of unemployment when compared to the Labour Force Survey. Some differences result from the shortened set of questions, which cannot determine unemployment as precisely as the Labour Force Survey. Other differences result from the self-enumeration nature of the questions and the inevitable differences in interpretation among respondents. As a result, estimates of unemployment from the self-enumerated questionnaire module are best used as explanatory or classificatory variables to explain other phenomena, rather than for detailed analysis of the labour force itself.

DATA SOURCES

6.18 Unemployment estimates, along with employment estimates and estimates of persons not currently economically active, are available from:

- the Labour Force Survey;
- various supplementary topics to the Labour Force Survey;
- the Census of Population and Housing; and
- Special Social Surveys.

LABOUR FORCE SURVEY

6.19 The Labour Force Survey is the official source for Australian employment and unemployment statistics. The definition of unemployment used in the Labour Force Survey is outlined above. The Labour Force Survey uses a comprehensive and detailed set of questions to precisely measure the numbers and certain characteristics of persons in employment and unemployment as well as persons not currently economically active. Estimates from the Labour Force Survey are available by State/Territory, capital city/rest of State, and 67 sub-State regions (see Chapter 15 for more information on geographic classifications available from ABS household surveys). For more detail on the content and methodology of the Labour Force Survey see Chapter 19.

LABOUR FORCE SUPPLEMENTARY SURVEYS

6.20 A number of surveys that supplement the Labour Force Survey collect detailed information on unemployment including:

- Job Search Experience of Unemployed Persons Survey - for persons currently unemployed, this survey collects details on steps taken to find work and barriers encountered in finding work (Chapter 20 Section 4); and
- Successful and Unsuccessful Job Search Experience Survey - for persons who have looked for work in the 12 months prior to the survey date, this survey collects details on the ways in which they searched for work and, in particular, those which proved successful (Chapter 20 Section 13).

6.21 The definition of unemployment used in the supplementary topics is usually the same as the definition used in the Labour Force Survey, but there may be some differences in scope across collections. For more information on the content and methodology of these collections refer to the chapters listed above.

CENSUS OF POPULATION AND HOUSING

6.22 As discussed in paragraph 6.17, the Census of Population and Housing uses the self-enumerated questionnaire module to produce unemployment estimates consistent with the international standards. However, because the self-enumerated questionnaire module defines

unemployment less precisely than the Labour Force Survey, estimates produced are not strictly comparable with those from the Labour Force Survey. For these reasons, unemployment estimates from the Census should be used with caution in analyses where labour force activities are a major focus. When comparing estimates of unemployment from the Census of Population and Housing with those produced from the Labour Force Survey, users should also note differences between the two surveys in scope (for example, the inclusion of permanent defence forces in Census employment data) and methodology. Estimates from the Census are available down to the statistical local area level². Refer to Chapter 18 for further information on the Census of Population and Housing.

2. Statistical local areas (SLAs) consist of one or more Census collection districts. In aggregate, SLAs cover the whole of Australia without gaps or overlaps. An SLA consists of a single local government area, or part thereof, or any unincorporated area. For further information refer to Chapter 15.

SPECIAL SOCIAL SURVEYS

6.23 As discussed in paragraph 6.16, the Special Social Surveys generally use the reduced questionnaire module to produce unemployment estimates consistent with the international standards. However, because the reduced questionnaire module defines unemployment less precisely than the Labour Force Survey, estimates produced are not strictly comparable with those from the Labour Force Survey. When comparing estimates from the Special Social Surveys with those from the Labour Force Survey, users should also note differences in scope and methodologies across the collections.

6.24 The labour-related Special Social Surveys, namely the Survey of Employment Arrangements and Superannuation (Chapter 21) and the Survey of Employment and Unemployment Patterns (Chapter 22), both produced estimates of unemployment. Unlike most Special Social Surveys, neither of these surveys used the reduced questionnaire module to produce measures of unemployment as described above. Instead, both surveys used the full set of questions asked in the Labour Force Survey. For more information on these surveys refer to the chapters listed above.

MEASURES OF UNEMPLOYMENT

UNEMPLOYMENT RATE

6.25 The unemployment rate for any group is defined as the number of unemployed persons expressed as a percentage of the labour force (employed plus unemployed). As a measure of the proportion of the labour force that is underutilised, its most important use is as an indicator of the performance of the economy. A high rate of unemployment indicates limited employment opportunities in a labour market that is in a situation of oversupply. A low rate of unemployment indicates a tight labour market, potential scarcity of skilled labour, and future cost pressures from wage demands from workers.

6.26 The trend over time in the overall unemployment rate serves as a current economic indicator of the performance of the economy at large, while the unemployment rate for different groups of people (e.g. younger people, older people, females) identifies areas of social concern when rates for some groups are much higher than for others.

DURATION OF UNEMPLOYMENT

6.27 Conceptually, duration of unemployment is the period of time during which an unemployed

person has been in a continuous state of unemployment. To measure this period accurately would require that all three criteria for defining an unemployed person be satisfied continuously and simultaneously over the whole period (i.e. without paid work, actively looking for work and available to commence work). However, it is impractical to apply all three criteria with respect to past periods in a household survey because of the lengthy and complex questioning needed to test for the criteria, and the memory recall difficulties of respondents. For this reason, in practice the measurement of duration of unemployment focuses on the period of time that a person has been without paid work, and has been looking for work.

6.28 Duration of unemployment is defined as the elapsed period to the end of the reference week since the time a person began looking for work, or since a person last worked for two weeks or more, whichever is the shorter. Brief periods of work (of less than two weeks) since the person began looking for work are disregarded.

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